

Message Text

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PAGE 01 EC BRU 09995 121828Z

47

ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 EA-07 ARA-06 AGRE-00 CEA-01

CIAE-00 COME-00 DODE-00 EB-07 FRB-03 H-02 INR-07

INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05

CIEP-01 SS-15 STR-04 ITC-01 TRSE-00 USIA-06 PRS-01

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FM US MISSION EC BRUSSELS

TO SECSTATE WASHDC 2090

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E.O. 11652: N/A

TAGS: EEC ETRD MTN

SUBJECT: US/EC DISCUSSIONS ON SUPPLY ACCESS: OCTOBER 8, 1976

REF: STATE 229401

1. SUMMARY: GEZA FEKETEKUTY OF STR AND USEC OFFICER MET WITH RAYMOND PHAN VAN PHI OF DG-I AND RODERICK ABBOTT OF THE EC COMMISSION MTN DELEGATION ON OCTOBER 8 TO DISCUSS OUR MUTUAL THINKING ON THE QUESTION OF SUPPLY ACCESS NEGOTIATIONS IN THE MTN. US SIDE OUTLINED THE PARALLEL APPROACH US IS TAKING, CONSISTING OF AN ATTEMPT TO DEVELOP GENERAL RULES AND AN EFFORT TO NOTIFY AND NEGOTIATE ON A COMMODITY BY COMMODITY BASIS. COMMISSION SIDE STATED ITS PREPARATIONS NOT AS FAR ALONG AS OURS; THHE LIMITED NATURE OF THE INFORMATION AVAILABLE TO THE COMMISSION AT THIS TIME CONTINUES TO LEAVE THEM IN QUANDARY AS TO HOW BEST TO PROCEED. COMMISSION SIDE INDICATED MEMBER STATES STILL OPPOSE INCLUSION OF SUPPLY ACCESS IN FRAMEWORK GROUP. END SUMMARY.

2. FEKETEKUTY OUTLINED STATUS OF US WORK ON SUPPLY ACCESS

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PAGE 02 EC BRU 09995 121828Z

QUESTION. HE STATED WE HAVE IDENTIFIED 400 FOREIGN EXPORT

RESTRICTIONS AT THE 4 DIGIT LEVEL. OF THESE 120 APPEAR SUITABLE FOR NOTIFICATION. 40 ARE CONSIDERED OF IMPORTANCE BY OUR ADVISORY GROUPS. HE OUTLINED THE CRITERIA USED TO SELECT RESTRICTIONS FOR NOTIFICATION AND STATED THAT THEY FALL INTO FIVE CATEGORIES: QUOTAS, EMBARGOES, LICENSING, TAXES AND STATE TRADING ENTERPRISES. EC SIDE STATED IT HAS NOT FULLY QUANTIFIED EXPORT RESTRICTIONS OF INTEREST TO IT. INFORMATION ON MAJOR COUNTRIES INCLUDING US, AUSTRALIA, BRAZIL, MEXICO, ARGENTINA AND YUGOSLAVIA NOT YET RECEIVED. THEY ALSO ARE UNCLEAR WHETHER A NUMBER OF RESTRICTIONS ARE IN EFFECT OR MERELY ON THE BOOKS. FURTHERMORE, RESTRICTIONS THEY HAVE TURNED UP ARE HEAVILY CONCENTRATED IN LDCS AND THEY WOULD NOT WANT TO NOTIFY MOSTLY LDC PRACTICES.

3. A TACTICAL DISCUSSION ENSUED IN WHICH US SIDE STRESSED THE UTILITY OF PROCEEDING WITH NOTIFICATIONS IN ORDER TO GET NEGOTIATIONS ON THIS TOPIC STARTED. EC EXPRESSED CONCERN THAT NOTIFICATION OF RESTRICTIONS THAT THEY HAVE BEEN ABLE TO IDENTIFY SO FAR MIGHT BE COUNTER PRODUCTIVE; HEAVY FOCUS ON LDCS MIGHT IRRITATE THESE COUNTRIES, WHILE RELATIVELY INCONSEQUENTIAL CHARACTER OF MANY RESTRICTIONS MIGHT LEAD TO ARGUMENT BY CANADA AND OTHER THAT NO REAL PROBLEM EXISTS.

4. US SIDE NOTED THAT MAJOR COMMODITY AREAS WHICH HAVE EMERGED FROM OUR GLOBAL EXAMINATION INCLUDE STEEL SCRAP, HIDES AND SKINS, LOGS, AND SOME METALS. BASED ON INCOMPLETE MATERIAL THEY HAVE, EC SIDE IS TURNING UP SIMILAR PROFILE. EC SIDE SUGGESTED THAT IT COULD EXCLUDE SCRAP FROM ITS NOTIFICATION SINCE EC COUNTRIES RESTRICT ITS EXPORT.

5. FEKETEKUTY SAID US THINKING NOT YET FULLY DEFINED ON ALL ASPECTS OF EXERCISE; WE WOULD LIKE TO INITIATE NOTIFICATION PROCESS AS SOON AS POSSIBLE SO THAT MULTILATERAL DISCUSSION CAN BEGIN. OUR OBJECTIVE WOULD BE GENERAL IMPROVEMENT OF GATT RULES, AND MORE SPECIFIC COMMITMENTS REGARDING THE USE OF EXPORT CONTROLS ON COMMODITIES OF PARTICULAR INTEREST TO US INDUSTRY, FOR LIMITED OFFICIAL USE

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PAGE 03 EC BRU 09995 121828Z

WHICH WE WOULD BE WILLING TO PAY. PAYMENT TO LDCS FOR ACCEPTANCE OF RULES WOULD BE PRIMARILY IN TERMS OF CONCESSIONS OFFERED IN OTHER AREAS DISCUSSED IN THE FRAMEWORK IMPROVEMENT GROUP. PAYMENT TO CANADIANS AND AUSTRALIANS WOULD BE PRIMARILY IN TERMS OF MFN TARIFF CONCESSIONS ON COMMODITIES OF MAJOR INTEREST TO THESE COUNTRIES. EC SIDE VACILLATED BETWEEN CONCERN ON ONE HAND THAT US APPROACH WOULD NOT RESULT IN COMMITMENTS

REGARDING PRICES OR QUANTITIES SUPPLIED AND CONCERN ON THE OTHER HAND THAT IT COULD BE DIFFICULT FOR THE COMMUNITY TO MAKE ANY PAYMENTS FOR COMMITMENTS IN THE SUPPLY ACCESS AREA. IN GENERAL, EC THINKING ON WHOLE SUBJECT SEEMS TO BE RELATIVELY UNDEVELOPED.

6. DISCUSSION THEN MOVED ON TO TERMS OF REFERENCE OF FRAMEWORK IMPROVEMENT GROUP. FEKETEKUTY INDICATED US BEMUSEMENT AT EC CHANGE IN SIGNALS SINCE LAST JULY WHEN EC DEL APPEARED WILLING TO INCLUDE THIS SUBJECT IN FRAMEWORK IMPROVEMENT GROUP. EC SIDE ACCEPTED POINT, MAKING IT CLEAR THAT COMMISSION OFFICIALS DIRECTLY CONCERNED CONTINUED TO AGREE WITH THE US ON THIS BUT WERE BEING BLOCKED BY MEMBER STATE OPPOSITION. THEY REPEATED EARLIER STATEMENTS THAT EC COULD SUPPORT IF US CAN FIRST GET MAJOR LDCS ON BOARD. THEY ALSO IDENTIFIED CANADA AS A SPECIAL PROBLEM. IF PRICE OF CANADIAN ACCEPTANCE IS SOME SPECIFIC LINK TO PROGRESS ON AGRICULTURE AND SECTORAL NEGOTIATIONS, THIS WOULD WORSEN CHANCES OF EVENTUAL MEMBER STATE ACCEPTANCE. IN RESPONSE TO QUESTION, EC SIDE INDICATED IT WOULD NOT LOBBY AGAINST SUPPLY ACCESS INCLUSION AND WOULD ATTEMPT NOT TO OPPOSE IT AS SEVEN PLUS SEVEN MEETING WEEK OF OCT 12 IF DISCUSSION OF TERMS OF REFERENCE COULD AVOID ENUMERATION OF SPECIFIC SUBJECTS FOR STUDY. HINTON

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